

Study on the Internationalization of Xiaocheng Technology by Country Selection

Yuan Zheng^{1,a,*}

¹Beijing Institute of Fashion Technology, Beijing, China

^ayz15510632616@163.com

*Corresponding author

Keywords: internationalization; country selection

Abstract: Enterprise internationalization is the mainstream trend of the development of Chinese private enterprises. Beijing Xiaocheng Technology Co., Ltd. was jointly initiated by five shareholders including the listed company Xiaocheng Technology in 2000 and listed on the Shenzhen Stock Exchange in 2010. The company specializes in integrated circuit design and provides products and solutions for smart grid and smart city. This paper introduces the internationalization process of Xiaocheng Technology, then finds out its internationalization motivation and country selection, and finally analyzes the impact of the novel coronavirus epidemic on business operations and countermeasures.

1. The internationalization process of Xiaocheng Technology

1.1. 2011

In 2011, Xiaocheng Technology invested in the BOT project of CB Company in Ghana with a capital increase (RMB 40 million). Business Scope: Undertake electricity meter BOT project in Accra, capital of Ghana, and provide supporting electricity sale system and installation and commissioning of electricity meters and other power related business.

1.2. 2012

In September 2011, it signed the "Contract for Line Loss Reduction and Related Grid Renovation in Accra, Ghana" with Ghana National Power Company. In order to implement this project and explore the African market, the company set up a wholly-owned subsidiary, Xiaocheng Ghana Power Company, in 2012, which has built a good international development platform for the company.

1.3. 2014

In 2014, the subsidiary company CB Ghana set up CB Electric (Hong Kong) Co., LTD., with a registered capital of HK \$10,000, but no actual investment and the company has not yet been operated. In 2014, the subsidiary Xiaocheng Ghana Power Company set up Xiaocheng Ghana

Power (Hong Kong) Co., LTD., with a registered capital of HK \$10,000, but no actual investment and the company has not yet been operated.

1.4. 2015

On June 9, 2015, Beijing Xiaocheng and OLE POWER SYSTEM (PTY) LTD signed a capital contribution agreement, and both parties jointly funded the establishment of Xiaocheng South Africa Limited. The company holds 80% of the shares and is the main implementation body of PPP projects in South Africa. Public-private-partnership (PPP) project is a legal cooperation project between the government and social capital. Business Scope: Design, install and transform smart power grid and water resources metering system for energy conservation and emission reduction.

In 2015, a share transfer agreement was signed between Sian Gold Mining Company and subsidiary Hyocheng Ghana Power Company, in which Sian transferred 65% of Akroma to Hyocheng Ghana Power Company.

1.5. 2017

The second extraordinary shareholders' meeting in 2017 deliberated and approved the Motion on the Company's Connected Transactions. Xiaocheng Ghana Power Company, a wholly owned subsidiary, intends to acquire the exploration rights to the Akoase gold Project in Ghana through the acquisition of 100% of Akoase Resources Company Limited, a company 100% owned by the Company's Chairman Cheng Yi.

In 2017, it established a wholly-owned subsidiary, Xiaocheng Technology Hong Kong Co., LTD. Scope of business: Responsible for the investment, construction and late operation management of Ghana gas power plant project.

2. Xiaocheng Technology internationalization country selection

The basic process of enterprise internationalization is the import and export of goods, import and export of services and investment activities. This process is the need of enterprises to avoid risks and obtain stable income. It is also the inevitable process for enterprises to adapt to the international market and then participate in the international market competition.

2.1. Motivation for internationalization

All along, more than 80% of Xiaocheng Technology's main products are sold to customers related to domestic electric power system, and the growth of its main business is highly dependent on the development of domestic electric power industry.

July 1, 2009 onwards, the domestic power grid engineering bidding to adopt new rules, by the State Grid Corporation headquarters to Smart meters The centralized scale bidding and purchasing is implemented, and the units under the headquarters no longer organize the bidding and purchasing work. This led to a large increase in the inventory of the company's main products in 2010 and a corresponding delay in payment recovery.

In this context, the company actively plans to develop overseas power market to reduce the dependence on the domestic market. 2011, the company invested 40 million yuan of listed overcapital to complete the capital increase of CB company in Ghana. With the holding of CB, Hi-Tech successfully entered the African power market.

2.2. Country selection

Reviewing the internationalization process of Hi-Tech, most of the power markets that the company chose to explore are concentrated in Ghana. The following article mainly explores the reasons why the company chose Ghana as the investment market.

2.2.1. Good bilateral relations between China and Ghana

China and Ghana established diplomatic relations in July 1960. The two countries have signed agreements on economic and technical cooperation, trade agreements and investment protection.^[1] Since the end of the 1970s, high-level exchanges between the two countries have continued, which not only enhanced mutual understanding, but also greatly promoted bilateral exchanges and cooperation in trade, culture, military and other fields. The Ghanaian government attaches great importance to its relations with China and gives great support to China in international affairs.

2.2.2. Close economic and trade cooperation between China and Ghana

The Chinese government has always attached great importance to economic and trade cooperation with Ghana and provided assistance to Ghana to the best of its ability. For example, it undertook the assistance projects of Ghana's Ministry of Defense office building, hospital, Ministry of Foreign Affairs office building, Cape Coast Stadium, Volta Medical University and so on. China has also contributed to Ghana's economic development through debt relief, economic assistance and active investment.

2.2.3. Ghana's domestic business environment has improved

Ghana is one of the most politically stable countries on the African continent with a sound domestic security situation. Domestic political conflicts are few and ethnic and religious contradictions are not prominent, so the political situation can remain stable for a long time. The government has long carried out economic liberalization and privatization reform, gradually improved the legal system, deepened the opening of the market, adopted relatively relaxed policies to encourage foreign investment, and vigorously promoted the construction of roads, ports and other infrastructure.

2.2.4. The Ghanaian government places great importance on attracting foreign investment

The Government of Ghana has formulated and implemented policies and regulations to encourage foreign investment. According to Ghana Investment Law, foreign investment enterprises or properties cannot be unconditionally nationalized or expropriated by the government. If it is necessary for national interests or public purposes, compensation shall be made according to law. Ghana encourages foreign investment, stipulates that the capital of foreign investors can be remitted out in full and unconditionally through any official bank in the form of freely convertible currency, and can import all kinds of equipment required for investment and factory building duty-free, and applies double tax relief to foreign investors and employees.^[2]

2.2.5. Ghana Investment Promotion Centre plays a role

Ghana Investment Promotion Center is the main organization in Ghana responsible for attracting investment from home and abroad. It is subordinate to the government and is responsible for all the attracting work except mining investment and oil exploration investment.^[3] Its main function is to formulate measures to improve the country's investment environment; Collect, verify, analyze and

publish information about investment opportunities and sources of investment funds; Initiate, organize and participate in promotion activities such as exhibitions, conferences and seminars to promote investment; Provide and publish the latest and useful investment incentives for investors. Since its establishment, the Investment Center has done a lot of effective work to attract foreign investment.

2.2.6. Ghana's infrastructure is relatively backward, and the development of power facilities needs to be promoted and improved

Ghana's infrastructure is relatively backward. With the continuous rapid growth of Ghana's economy and the continuous rise of its population, the impact of the backward infrastructure on the economy and people's public life has become increasingly prominent. According to a survey report of the World Bank in 2010, Ghana needs to invest at least 2.5 billion dollars every year to barely meet its domestic demand for infrastructure construction. The funding gap in infrastructure development is still large. So the Ghanaian government adopted a more relaxed and diversified financing policy, which attracted a large number of investors, including from China.

Dozens of large state-owned enterprises and state-owned enterprises have entered Ghana. Hunan Construction Engineering, Shenzhen Energy, Sinopec, China Railway Construction Engineering and other enterprises have successfully operated and implemented a large number of projects, such as Bwei Hydropower Station, northern power grid renovation, and special size power plant, with a total contract value of more than US \$2 billion, using the mode of two-prime loans, commercial loans and PPP investment.

2.2.7. Ghana is rich in labor resources

Ghana is rich in labor resources, with the working-age population between 15 and 64 accounting for 57% of the total population, and a relatively large number of trained workers and technicians. Labor prices are lower than in the African region.

2.3. Impact of the new crown epidemic on the company's operation

The impact of COVID-19 on the global economy is larger and more far-reaching than that of the global financial crisis in 2008. The business strategy environment of enterprises will also change a lot due to the epidemic.

2.3.1. Impact

Ghana Power Company, the long-term partner of the overseas company, has defaulted on the payment. Although the company has urged through various channels, due to the current situation of epidemic prevention and control in Ghana and the low internal communication efficiency of the Ministry of Finance, Energy and other departments, the progress is slow at present.

Due to the impact of the novel coronavirus pneumonia epidemic, Ghana has imposed entry restriction policies and centralized quarantine measures in China. As a result, employees of the company are unable to come to their posts or carry out normal work, which has a certain impact on production and operation. At present, the operation of domestic departments is gradually recovering, and the company's project research and development, production and manufacturing, material purchase and marketing work are temporarily behind schedule. It is expected that the epidemic will also have a negative impact on the company's subsequent production and operation.

Due to the impact of the novel coronavirus outbreak and the lack of domestic chip production capacity, the company's new product research and development work has been delayed. The

research and development department strictly controls the progress of developers in the follow-up project design, screens the commissioned design and development manufacturers, and selects a commissioned development team with controllable time.

2.3.2. Response measures

In 2020, in the face of the severe test brought by the spread of the global novel coronavirus and the complex and changeable environment at home and abroad, the company actively promoted the "two-front battle" of epidemic prevention and control and business development. Under the strict implementation of the relevant requirements of the local government on epidemic prevention and control, the company orderly promoted the resumption of work and production, and actively adopted various effective countermeasures to organize scientific research and production.

3. Conclusions

In recent years, the Ghanaian government has attached great importance to expanding foreign investment to promote social and economic development.^[4] Rapid economic development needs to be based on adequate power supply. With its competitive advantages in the field of power design and operation, Xiaocheng Technology Co., Ltd. can make beneficial contributions to the cooperation with Ghana in power construction. In addition to the existing overseas customers in Ghana, South Africa and Kazakhstan, the company also continues to expand new markets, improve market share and maintain stable development.

At present, Chinese enterprises are speeding up the pace of "going global" and seeking cross-border mergers and acquisitions to become bigger and stronger. The internationalization experience of Xiaocheng Technology is of great significance to Chinese enterprises. When entering the overseas market, we should consider the legal environment, policy environment, industrial environment, tax environment, resource environment, import and export environment, social environment, etc. Choosing a country that conforms to the enterprise's market development strategy will bring more profits to the enterprise.

Acknowledgements

I would like to thank my thesis advisor for his guidance and advice in the writing process of this paper. From the topic selection to the structure of the paper, the teacher has invested a lot of time and energy.

I would like to thank the Beijing Higher Education Undergraduate Teaching Reform Innovation Project" project (project no.: 202110012004); "The first batch of new liberal arts research and reform practice projects of the Ministry of Education" project (project no.: 2021140009); Beijing Education Science "14th Five-Year Plan" Project for 2021" project (project no.: 3067-0001)for your support in all aspects, especially the funding.

References

- [1] Zhou Yang. *China and Ghana complement each other's advantages to strengthen cooperation [J]. China Investment*, 2017, (14): 62-63.
- [2] Li Zhiguo, Lom Ahlijah. *Ghana investment guide [J]. International Engineering and Labor*, 2019, (11): 44-46.
- [3] Zeng Qiang, Huang Jinshu. *Investment environment and opportunities in Ghana [J]. International Data Information*, 1998, (07): 31-32.
- [4] Tian Wei. *A preliminary study on electricity market planning in Ghana [J]. Hydropower and New Energy*, 2016, (12): 62-64.